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UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION  
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**HOW MUCH COTTON SHOULD AMERICA  
PRODUCE IN 1936?**

**FARMERS MUST DECIDE WHETHER THE A. A. A. PROGRAM IS TO  
CONTINUE**

**Disaster in the past.**—It is easy to forget that cotton producers were faced with five periods of disastrously low prices between 1900 and 1928, and that such periods are likely to occur again unless producers join together and adjust their acreage and production to demand and cooperate to maintain such balance once it is achieved.

**The issue defined.**—The continuation of the Agricultural Adjustment Act and its policies will be determined by the farmers themselves. If the farmers are convinced that it is to the best interest of the individual producers to join with all other producers and use the machinery of government to adjust their production to the demand, the adjustment program will continue. If farmers become dissatisfied with essentials of the program, or fail to cooperate to such an extent that the program no longer serves the interests of producers and consumers, the programs will be discontinued.

**I. Should the Acreage of Cotton be Determined by a Consideration of the Needs of *Each Producer Independently*, or by a Consideration of the Needs of *All Producers Together*?**

**A. Is It to the Best Interest of the Individual Cotton Producer to Decide for Himself How Many Acres He Should Grow in 1936 Without Regard to Other Cotton Producers?**

**Individual action results in increased acreage.**—Cotton farmers often fail to look on the South as one big plantation. They see only their own small acreage, and thus don't realize that what affects **each individual cotton farmer** affects **every other cotton farmer**.

If enough cotton farmers refrain from cooperation, either through misunderstanding or purposely because of personal reasons, they may endanger the entire cotton adjustment program.

Almost every time large numbers of producers have simultaneously reached out in the past for big individual profits from more acres, they have found instead only individual losses and hardship. The latest lean and disastrous years of 1931 and 1932 are too well in mind to be forgotten this soon.

Despite past experience and the improved conditions existing in cotton-growing States since the A. A. A. came into being, some producers may be considering that solution of all their problems lies in mere individual expansion of their production. Such producers apparently have lost sight of the objectives of the cotton-adjustment program.

If each individual producer were to determine his cotton acreage for 1936 independently of all other cotton producers the production

would be greatly expanded, the crop would be greatly increased and the price would fall sharply, with the result that the total value of the cotton crop in 1936 likely would be less than for a production in keeping with the demand. Instead of increasing their income from cotton production producers would in this way cultivate and harvest a big acreage and decrease their income. Moreover, the supply for 1936 would be greatly increased and the carry-over at the end of the season once again would be piled up so high that it might take years to bring it back down to normal.

**Individual action not sufficient.**—Experience has shown that individual producers acting independently cannot, without undue sacrifice, adjust their production and supply of cotton to the demand. Often in the past by acting independently they have thus decreased their income.

Between 1900 and 1928 there were five periods of disastrously low cotton prices brought about by overproduction. Usually some adjustment or attempt at adjustment in acreage and production was forced by periods of overproduction and low prices. However, these movements were brought about through financial distress. The growth of tenancy in the South is mute evidence of these low-price periods and of the generally low per capita income from cotton production. Many cotton producers accumulated some capital by hard work and sacrifice and invested their earnings in farms and homes only to see their investments and their equities wiped out in the years of low prices.

**B. Is It to the Best Interest of the Individual Cotton Producer to Join With Other Producers in Determining His Cotton Acreage in 1936?**

**Excessive supply means low income.**—When the supply of American cotton is out of balance with the demand the price and total income from the crop is reduced. A reduction in total income from the United States crop of cotton means a reduction in income for each producer. If the total income from the cotton crop is increased the income of individual producers will be increased.

**Cheap cotton does not always reduce the average acreage planted.**—In 1931 the price received by producers averaged  $5\frac{7}{10}$  cents a pound. In 1932 the price averaged  $6\frac{1}{2}$  cents a pound. However, producers acting independently planted 4 million more acres in 1933 than they planted in 1932. They were faced with another disaster until by collective action and the use of governmental machinery they plowed under  $10\frac{1}{2}$  million acres of growing cotton which, it is estimated, would have produced  $4\frac{1}{2}$  million bales to be added to a record world supply of cotton. Through devaluation of the dollar and the plow-up program, the farm value of the crop of lint and seed including rental and benefit payments and profits on cotton options was, in 1933, \$924,531,000 as compared with \$483,887,000 in 1932. Price received by producers for lint cotton was increased from  $6\frac{1}{2}$  cents a pound in 1932 to  $10\frac{2}{10}$  cents per pound in 1933. Instead of a world supply of 29 million bales of cotton for the 1933–34 season, there was a supply of  $24\frac{1}{2}$  million bales.

Producers, through cooperative action, used the machinery of the Government in 1934 further to adjust the supplies of cotton to the demand. In 1934, 27,883,000 acres were planted to cotton. The world supply of American cotton and of all cotton was further reduced.

The value of the 13 million bale United States crop, including lint, seed, and rental and benefit payments, and profits on options was \$924,531,000 in 1933, and in 1934, was held up to \$860,389,000 for a 9 million bale crop due to the drought with no option profits.

Again in 1935 producers cooperated to hold the acreage planted to 29,166,000 acres. In a preliminary estimate the value of the crop in 1935, including rental and benefit payments, is placed at \$860,171,000.

The results of the cotton-adjustment programs for the past 3 years illustrate that it is to the interest of the individual cotton producer to join with other producers in determining his cotton acreage each year.

**Will history be repeated?**—Cotton producers individually attempted to adjust their production following years of overproduction in 1904, 1908, 1914, 1920, and 1926. Such periods when prices are disastrously low, are likely to occur again unless producers join together and adjust their acreage and production to demand and cooperate to maintain such balance once it is achieved.

#### CAMPAIGN OF 1905 <sup>1</sup>

In 1904 the average yield was 213 pounds to the acre on over 31 million acres harvested for a total of 13½ million bales and the price dropped to less than 9 cents per pound, a decline of 1½ cents per pound from the price received for the 1903 crop.

Definite alarm was caused by this record-breaking crop and attention was given to the cotton situation as early as September 1904. At first, effort was directed toward a "hold your cotton" campaign which culminated in mass meetings of growers in "every county courthouse in the South" on December 17, 1904. By January 1905, primary attention was turned to reducing acreage, and an active campaign for this end was continued until planting time in 1905. The Southern Cotton Association, perfected at an interstate convention in New Orleans in January 1905, as an outgrowth or enlargement of the Southern Cotton Growers' Protective Association, was the chief agency responsible for this comparatively successful campaign. The Farmers' Union also favored reduction of the acreage planted to cotton and helped in the campaign of 1905.

Reduction of cotton acreage was the chief subject discussed in the convention at New Orleans where middling cotton was then selling at below 7 cents.

Representatives of the New York and New Orleans cotton exchanges endorsed the acreage decrease recommendations. Southern banking interests organized a committee consisting of one banker from each cotton State to work with the Southern Cotton Association in its campaign.

Precinct meetings were held in every part of the Cotton Belt, and farmers and landowners signed a pledge to reduce acreage planted and to decrease consumption of fertilizers.

In 1904, the cotton acreage was 31,379,371 acres; in 1905, 26,999,552 acres. This reduction of approximately 4,370,000 acres as compared with the previous season was about 14 percent. As a result

<sup>1</sup> The statements on the campaigns in 1905, 1915, 1921, 1927, and 1928 are taken from a paper by E. E. Edwards of the U. S. Department of Agriculture.

production was cut to  $10\frac{1}{2}$  million bales and the price went up to  $10\frac{8}{10}$  cents per pound. The comparatively low price of 1904-05 probably was a factor in the reduction, but "it seems reasonably certain \* \* \* that the very substantial reduction in the acreage planted in 1905 is attributable in large measure to the efforts of the Southern Cotton Association." (Report of the commissioner of corporations on cotton exchanges, pt. 5, p. 334.)

The policy of the acreage reduction was urged with more or less persistency in the seasons following 1905. For 1906 the Southern Cotton Association recommended a reduction below that of 1905. Apparently, little was done to carry out the recommendation.

Then came a decade of fair prices in which is included the 1909-14 base period used in computing parity.

#### CAMPAIGN OF 1915

The acreage of cotton in 1913 and 1914 was large and a better season in 1914 resulted in the pre-war record cotton crop. Nearly 37 million acres harvested in 1914 produced over 16 million bales. Because of conditions due to the war and the large crop the price dropped to 7.4 cents per pound and the South was stirred to seek a remedy.

A conference of the governors of the Southern States was called to meet at Memphis in October 1914, but only about one-third of the South's cotton-producing area was represented. Those present indorsed the "Wade plan" for raising \$150,000,000 to lend on cotton, reduction of cotton acreage at least 50 percent, and better marketing facilities for the diversified crops. However, no governor present favored bond issues to buy cotton for holding from the market.

It was proposed that the various State legislatures pass laws fixing the acreage to be planted to cotton, but most of the governors of the cotton States pleaded the unconstitutionality of extending the police power of the States so far.

Individual writers proposed in the columns of agricultural periodicals a graduated tax on all cotton produced in 1915 and after. A method not only suggested but used with at least some results was the elimination of credit to cotton growers who did not reduce their acreage devoted to cotton.

A campaign of education regarding facts of the cotton situation in every section of the South was a vital factor causing the acreage reduction in 1915.

The acreage harvested in 1915 was 31,412,000 acres as compared with 36,832,000 acres for 1914—a reduction of 5,420,000 acres or about 14 percent. This reduction, together with a poor season and a lower yield, improved the condition of the cotton growers.

#### CAMPAIGN OF 1921

During the war period the acreage in cotton again went up to 36 million acres, but the size of the crop was held down by poor seasons and the spread of the weevil, until 1920, when, with nearly 36 million acres, the largest crop since 1914, amounting to nearly  $13\frac{1}{2}$  million bales, was harvested. This large supply, together with the post-war

deflation, resulted in catastrophe, when prices dropped 55 percent from the price received in 1919.

Although the leaders in the campaign of 1927 refer to the reduction of acreage in 1921 as due to a campaign, there is no evidence in the files of agricultural periodicals of the methods used.

In 1921 the acreage was cut to 30,509,000 acres—a decrease of more than 15 percent. The carry-over and the terrific slump in prices were the main factors.

Fair prices were had for the next 3 years.

#### CAMPAIGN OF 1926-28

Again, in 1925 and 1926 huge crops of 16 and 18 million bales, respectively, were harvested with the price per pound cut nearly in half from that received for the 1924 crop. The 1926 crop, harvested from 44½ million acres, set an all-time record.

As a result, the 14 governors of the cotton States sponsored a South-wide conference of cotton growers and those interested in the welfare of the cotton grower at Memphis in October 1926. The following plan of reducing the acreage of cotton in 1927 by at least 25 percent was adopted: By securing pledges from every cotton grower in the South, showing the acreage planted in 1926 and the acreage proposed in 1927, and pledges from every banker and merchant that they would cooperate in helping to secure this reduction of cotton acreage, the acreage saved from cotton to be planted to feed crops and other money crops. To carry out the plan, a South-wide executive committee of 20 was organized. Some accounts speak of this as a 2-year program.

President Coolidge appointed a Cotton Emergency Committee which arranged for nine agricultural credit corporations under the terms of the Intermediate Credits Act.

A conference of Southern governors and others interested in cotton met in Jackson, Miss., in March 1928, to continue the work inaugurated in 1926. The convention recommended a 10-percent reduction in the 1928 cotton acreage.

The recommendations of the conference included proposals for adoption of credit policies to force cotton acreage restriction; organization of a permanent committee to carry on the work begun by the conference; that laws requiring school attendance of children between 8 and 15 be passed, and if already in existence, strictly enforced, it being admitted that at least 25 percent of the cotton was produced and gathered by children between the ages indicated. Further, it was recommended that if middling cotton on October 15, 1928, was quoted on the New York cotton exchange at an unprofitable price to the grower, the governors be urged to convene the legislatures in special session to consider control of acreage by State legislation.

The 1927 cotton acreage in the South was reduced 14 percent but in 1928 there was another increase and 42½ million acres were planted to cotton, the third highest acreage on record to that date. This resulted in still another period of declining prices and accumulating surpluses.

Producers should also review the events that have taken place since 1928. In 1929 Congress passed the Agricultural Marketing Act creat-

ing the Federal Farm Board. The objective of the Farm Board was to control and prevent surpluses and to prevent surpluses from causing undue and excessive fluctuations or depressions in prices. The Farm Board found that prices could not be stabilized for long without production control. Its operations were discontinued early in 1933.

**Agricultural adjustment begun in 1933.**—The policy of the Agricultural Adjustment Act is to establish and maintain a balance between production and consumption of agricultural commodities; to reestablish fair prices to farmers; to reestablish equality of farm purchasing power by gradual correction of inequalities at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets; and at the same time to protect consumers' interests.

**Farmers must choose.**—The continuation of the Agricultural Adjustment Act and its policies will be determined by farmers themselves. If farmers are convinced that it is to the best interest of individual producers to join with all other producers and use the machinery of government to adjust their production to demand, the adjustment programs will continue. If farmers become dissatisfied with essentials of the programs, or cease to cooperate to such an extent that the programs no longer serve the interests of producers or consumers, the programs will be discontinued. Each producer must decide if it is to his best interest to join with other producers in determining his cotton acreage for 1936.

## II. How Much Cotton Should Be Produced in 1936?

### A. What Should Be the Total United States Production in 1936?

Before determining the number of bales that should be planned for in 1936, producers should carefully consider (1) probable carry-over at the end of the present season, (2) how much cotton they can sell to consumers both in the United States and in foreign countries, (3) the price at which they can expect to sell different sized crops, (4) the reduction they wish to make in carry-over by July 31, 1937, and (5) the effect of different sized crops on foreign acreage and production.

The world supply of all cotton for the 1935-36 season of nearly 40 million bales is about the same as for the previous season. This is almost 8 million bales smaller than the enormous prospective supply before the plow-up in 1933. However, the supply is about 11 percent larger than the average for the last 10 years and is considerably larger than the prospective demand. The world consumption of cotton has never exceeded  $26\frac{1}{10}$  million bales in any one season. The world consumption for the season ending July 1935 was slightly larger than that of the previous season, and larger than the 10-year average ending in 1932-33.

World consumption of American cotton was  $11\frac{3}{10}$  million bales or about 16 percent below average. However, most of this decline in consumption of American cotton was in foreign countries. Exports declined in 1934-35 even more than foreign consumption of American cotton. There were a number of factors contributing to

the decreased foreign purchases and consumption of American cotton last season.

Difficulties were experienced by foreign countries in obtaining exchange with which to purchase American cotton. This was especially true in the case of Germany, Italy, and Poland. Trade arrangements between foreign-consuming countries and foreign-producing countries affected sales of American cotton. The low price of certain foreign growths compared to American cotton, which was more pronounced early in the season, also was a contributing factor. However, Brazilian fair Sao Paulo cotton on the Liverpool market in the 1934-35 season was higher compared with the 10-year average price than was American cotton at Liverpool. The supply of American cotton available to the trade was sharply limited due to the quantity upon which the 12-cent loan was made in 1934-35.

Conditions in the early part of the 1935-36 season indicated that world consumption of American cotton will be somewhat larger than in the previous season. Favorable factors are: Less of the 1935 crop is being covered by the loan; a higher level of business activity is in prospect and the price of American cotton is more nearly in line with the price of all foreign growths.

The estimated supply of American cotton for the 1935-36 season is **20½ million** bales. If consumption should equal the average for the past 10 years, the carry-over at the end of the season will be approximately **7 million** bales. This still is an excessive carry-over. If the carry-over is further reduced by July 1937, it will be necessary to produce less cotton in 1936 than is consumed in the 1936-37 season.

The 10-year (1923-32) average world consumption of American cotton was 13½ million bales and for the last five years of this period the average consumption was 13 million bales. With average consumption it will be necessary to cut production to less than 13 million bales in 1936 if the excessive carry-over of 8 to 9 million bales is to be further reduced by July 1937.

On the other hand, if consumption should be below average or more in line with consumption for the 1934-35 season, it will be necessary to produce under 11 million bales in 1936 if the carry-over is to be reduced by July of 1937. How much less than 11 or 13 million bales should be produced will depend upon the reduction producers wish to make in the carry-over.

The quantity of cotton produced in the United States in 1936 will in no way affect the quantity produced in foreign countries in 1936. However, the supply and price of American cotton in 1936 will affect the acreage and production in foreign countries in 1937. A large American supply and low price in 1936 would tend to discourage increased foreign production while, on the other hand, a small American supply and high price in 1936 would tend to encourage foreign production. However, it should be borne in mind that the trend of foreign acreage and production has been upward at a sharper rate during the last 45 years than has the upward trend of American acreage and production. It appears that in between the two extremes of drastic restriction and unrestricted production lies the course to be followed.

**B. How Much Cotton Should Be Produced in Each State in 1936?**

If an adjustment program in the United States is to be successful, it must be successful in each and every one of the cotton-producing States. After the producers have determined what the national production should be in 1936, it will be necessary for each State to hold its production within its share of the national production. Individual States cannot expand production or overproduce without expanding the national production.

**C. How Much Cotton Should Be Produced in Each County in 1936?**

Counties cannot expand acreage and production without expanding the State and National acreage and production. To have national adjustment it is necessary to have State and county adjustment.

**D. How Much Cotton Should Each Individual Cotton Producer Produce in 1936?**

It is impossible to have national cotton adjustment without having State adjustment. It is impossible to have State adjustment and not have county adjustment. It is impossible to have county adjustment unless individual producers adjust their production. National adjustment is accomplished by each producer making his share of the total adjustment.

If cotton producers are of the opinion that it is to the best interest of the individual producer to join with other producers and use the machinery of government in adjusting production to the demand, it will be necessary for each producer to adjust his acreage and production in line with adjustments made by other producers. Individual producers cannot expand their acreage and production in 1936 without expanding the national acreage and production. If each cotton producer acting individually makes the expansion in cotton production that he might like to make in 1936 the national acreage and production will be expanded.

**SUGGESTED REFERENCES**

The following publications may be secured from the sources below as long as supplies are available:

The Cotton Program Carries On, address by Henry A. Wallace, April 13, 1935; Press Service, Office of Information, United States Department of Agriculture, Washington, D. C. (Free.)

Credits and Debits of the Cotton Program, address by Chester C. Davis, August 13, 1935; Division of Information, Agricultural Adjustment Administration, Washington, D. C. (Free.)

Cotton (Current Information Statement No. 2), by Cully A. Cobb, Division of Information, Agricultural Adjustment Administration, Washington, D. C. (Free.)

What Countries Shall Supply the World With Its Cotton? G-49; Division of Information, Agricultural Adjustment Administration, Washington, D. C. (Free.)

World Cotton Markets, G-43; Division of Information, Agricultural Adjustment Administration, Washington, D. C. (Free.)